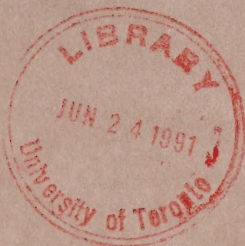


The Pension Commission of Ontario


*How Pension Reform
affects your retirement future.*

CA20N
TR600
-Z001



Pension
Commission
of Ontario

Commission des
régimes de retraite
de l'Ontario



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto



How Pension Reform affects your retirement future

Did you know that if you have an employer sponsored pension plan as of January 1, 1987 you have more retirement security than ever before? The Ontario Pension Benefits Act, 1987 (PBA, 1987), became effective on January 1, 1988. It brought you better coverage, improved benefits and more information.

If you would like to know more about the Pension Benefits Act, 1987, this information has been prepared by the Pension Commission of Ontario (PCO) to get you started.

The Pension Commission of Ontario is responsible for monitoring private pension plans in Ontario. These are pension plans established by employers for the benefit of their employees. We at the Commission want to encourage individuals to take responsibility for financial retirement planning. In this booklet you'll find the highlights of the Act and what it means to you and your retirement.

What is a private pension plan?

Basically, this is money set aside by some employers to provide a regular income for employees when they retire. There are two basic types of pension plans offered by employers – defined benefit and defined contribution or money-purchase plans. In both types of plans either you and your employer contribute money, or only your employer puts



money in. Whether or not you have to contribute depends upon how your employer sets up the plan.

Defined benefit plan – At the time you join a defined benefit plan, your employer tells you the monthly or annual pension benefit you will receive when you retire. The amount will be based on how long you work for the company and how much you earn. Your employer is required to ensure you receive the promised benefit regardless of whether or not there is enough money in the pension fund.

Defined contribution or money-purchase plan – A specifically determined amount of money is put into a pension fund by you or on your behalf, usually monthly. The money put into the plan is invested. The amount you receive when you retire depends upon how much the money earns.

15 reasons why you have more retirement security than ever before...

1. You qualify even earlier

If you are a full-time employee, now you can join your company pension plan after only two years of continuous service. You may be able to join even earlier if your company's plan permits you to.

2. Now part-time employees can join

If you are a part-time employee and you are in the same employment class as full-time employees, you can now join your company pension plan. To do this you must work for 700 hours or more, or earn

35 per cent of your **Year's Maximum Pensionable Earnings (YMPE)** in the two years before you join.

The YMPE is the maximum amount of annual earnings from employment on which the Canada Pension Plan contributions (deductions) and benefits are calculated. The federal government adjusts the YMPE every year according to a formula based on average wage levels in Canada. The YMPE for 1991 is \$30,500.

3. Vesting and locking-in after only two years

Your pension benefits related to service beginning January 1, 1987 are **vested and locked-in** after two years of pension plan membership. Vesting means the contributions your employer has made on your behalf are yours. Up until the two year point, if you leave your job for any reason, you may give up the right to contributions made on your behalf by your employer, although you are entitled to receive back your contributions together with interest. Locking-in means the contributions you have made must be left in the plan and used only to provide your pension benefits upon retirement.

The benefits you earned before January 1, 1987 are governed by the rules of the plan existing before the PBA, 1987.

This means for example, if you began work in June of 1980, your benefits from June 1980 to December 31, 1986 are subject to the rules of the plan at that time. But benefits earned from January 1, 1987 are now vested and locked-in and can



only be used to provide a pension through the company's plan, a locked-in RRSP or an annuity. This applies to both the money you and/or your employer contributed. You will receive the pension benefit from these contributions as a stream of monthly payments at retirement.

4. You don't lose employer contributions when changing jobs

If you leave your job before your normal retirement date (which is usually 65) for any reason you now have a number of options.

Unless you are within 10 years of normal retirement you may do one of the following:

- leave your pension benefits in your employer's pension plan;
- transfer to another plan if this plan will accept your pension benefits;
- transfer to a locked-in RRSP; or
- purchase a deferred life annuity.

It is important to note that once your selection is made and the transfer is completed your choice cannot be changed.

If you are within 10 years of retirement your benefits stay in the plan and you can start receiving your benefits immediately as an early retirement pension (see number nine). If you take this option your pension will be reduced because you will be receiving benefits over a longer period of time. Or you can wait until you are ready to retire to start receiving benefits.

5. Leaving your job? You will receive a complete statement

When you leave your job, your plan Administrator is required to provide you with a **termination statement**. It must contain the following information:

- when you joined the plan;
- how much pension income you will receive from among the options you have to choose from;
- the name of your spouse and beneficiary;
- if and when your benefits go up when prices rise (indexation);
- any additional voluntary contributions you have made to the plan; and
- any bridging benefits (to cover the amount you will not receive from Canada Pension Plan until you are 65, if you take early retirement).

There are three kinds of termination statements. You may receive a statement for:

- refund of contributions that are not locked-in;
- transfer of the value of your pension; or
- retirement benefits.

These statements for refunds or transfers must be provided to you by the plan Administrator within thirty days of your termination of employment.

The statement for retirement should be provided to you at least sixty days before your retirement date.

If you terminate employment without giving your employer advance notice, the Administrator has thirty days to provide you with a termination statement after receiving your notice.



If you request a refund, the plan Administrator must transfer your pension benefits into the RRSP, annuity or pension plan you have chosen within sixty days after receiving your filled out option form. You can obtain this form from the plan Administrator.

6. You only need to contribute 50 per cent

Are you retiring or terminating your job or membership in a pension plan? Your contributions (plus interest) made after January 1, 1987 can only be used by your employer to provide half of the commuted value of your pension benefit.

The commuted value is the amount of the immediate lump-sum payment that will be transferred into the option of your choice when you leave your job. This payment is estimated to be equal in value to the future series of pension payments you would receive when you retire. If your contributions plus interest are more than half of the value of your pension benefits you are entitled to a refund of the excess. This provision also applies if a pension plan member dies. This rule only applies to you if you are a member of a defined benefit plan.

7. Now your spouse is protected too

If you have a spouse, your pension must be offered to you in a “joint and survivor” form. This means that your total pension payable is reduced in order

to provide a continuing pension if your spouse outlives you. If you and your spouse do not wish to have this continuing pension, you both must sign a waiver form. It is advisable for both employee and spouse to obtain independent legal advice before waiving the right to these continuing payments.

If you terminate employment before retirement and transfer the commuted value of your pension benefit into an annuity, the annuity you purchase must also be in a joint and survivor form unless you both sign the waiver.

Even if the surviving spouse of the plan member marries again, that spouse continues to receive the survivor portion of the pension.

8. Your spouse is protected if you die before retirement

If you are the pension plan member and you die before retirement, your spouse is entitled to receive a pre-retirement death benefit. For benefits contributed before January 1, 1987, your spouse will receive your contributions plus interest. For benefits earned after January 1, 1987, your spouse is entitled to payment of an amount equal to the commuted value of your pension benefits.

If you have no spouse, your beneficiary can receive the commuted value of the benefits contributed after January 1, 1987. For contributions made before January 1, 1987, the terms stated in the plan apply.



9. You can take early retirement

Normal retirement date can be no later than one year after you turn sixty-five. If you are within ten years of the normal retirement date stated in your pension plan you are entitled to choose an early retirement benefit which is **actuarially reduced**.

This means the amount of pension benefit you receive yearly is reduced to provide for the extra years that you will receive benefits due to your early retirement. You will receive a smaller pension per year, but you will receive it over a longer period of time and the total commuted value of your pension benefit must be the same.

10. Working after retirement age

You may continue to work after normal retirement age if your employer permits. Depending upon the rules in your pension plan you may also continue to be a member of the pension plan and earn further benefits. The pension plan may set out the maximum number of years you are allowed to be a member. This number of years will be used to calculate the amount of your pension benefit or the maximum amount you are allowed to receive from your pension.

11. No discrimination is allowed on the basis of sex

Men and women must make the same contributions and receive the same benefits from their pension

plans. The eligibility conditions in the plan also cannot discriminate on the basis of sex. This applies to benefits earned after January 1, 1987.

12. Administrators must notify you of changes

Your plan Administrator now has to disclose a great deal of information to you as a plan member. You must be informed in writing of proposed changes to the plan that would reduce your benefits.

The plan Administrator must notify you of such changes in the pension plan before they occur. If you oppose the change, you can submit your objection in writing to the Pension Commission of Ontario.

13. Regular information on your plan

Your pension plan Administrator is required to provide you with an annual statement telling you the following important information:

- when you joined the pension plan;
- when your normal retirement date is;
- the earliest date that you can receive an unreduced pension;
- the name of your spouse;
- the name of any person you have designated to receive your pre-retirement death benefits;
- amount you must contribute as a member;
- additional amount you can voluntarily contribute;
- in a defined contribution plan, the amount of employer contributions;



- in a defined benefit plan, your years of employment, your annual amount of pension benefit at normal retirement date, and if the amount of your retirement benefit is based on salary level, what your level is; and
- treatment of surplus on wind-up.

This statement must be provided to you within six months after each fiscal year end of the plan.

14. You can have a say in how your plan is run

Members or former members of the plan can ask to have an advisory committee set up. This request must be voted on and approved by a majority of plan members. The committee monitors, comments and makes recommendations on plan administration.

15. Your investments are regulated

Most pension funds must set investment goals and report these to the Commission regularly so we can make sure each plan fulfills its promises to workers and retirees. Pension plan benefits that are guaranteed by an insurance policy do not need to report investment goals to the Commission. All other plans must review objectives at least annually to reflect changing pension plan priorities and market conditions including:

- liabilities of the pension plan;
- how money is being invested;
- the conflict of interest policy;
- lending of cash or securities policy; and
- retention/delegation of voting rights.

This information and all other plan documents are available once annually to you as a plan member upon request.

At the Pension Commission of Ontario we want you to be informed about the importance of retirement planning. You've worked hard to build a secure future. At the PCO we're here to make sure your future is protected.

The Pension Commission of Ontario and you:
committed to your retirement future.



Have questions?

Call:

Research and Communications
972-5826 or 972-5825

Need an appointment to view Plan Documents?

Call:

963-0522

Remember to bring proof of membership

Making a Submission?

Write:

Registrar
Pension Commission of Ontario
101 Bloor Street West
9th Floor
Toronto, Ontario
M7A 2K2

